

TOWNSHIP OF CORWITH  
Otsego County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Corwith	<b>County</b> Otsego
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> August 9, 2006	<b>Date Accountant Report Submitted to State:</b> August 9, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

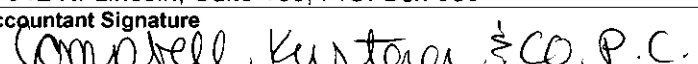
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> 			

TOWNSHIP OF CORWITH  
Otsego County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17-18
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	19
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	20

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

August 9, 2006

To the Township Board  
Township of Corwith  
Otsego County, Michigan

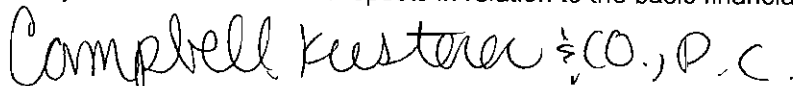
We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Corwith, Otsego County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Corwith's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Corwith, Otsego County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF CORWITH  
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Corwith covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$943,501.37 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$1,333,167.99 from governmental activities. Governmental activities had a \$685,019.83 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$648,199.23.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$7,137.03 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-983-2865 or P.O. Box 100, Vanderbilt, Michigan 49795.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	809 373 56
Accounts receivable	500 00
Taxes receivable	<u>9 988 01</u>
Total Current Assets	<u>819 861 57</u>
NON-CURRENT ASSETS:	
Capital Assets	319 349 82
Less: Accumulated Depreciation	<u>(160 640 58)</u>
Total Non-current Assets	<u>158 709 24</u>
TOTAL ASSETS	<u><u>978 570 81</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 730 11</u>
Total Current Liabilities	<u>1 730 11</u>
NON-CURRENT LIABILITIES:	
Contract payable	<u>33 339 33</u>
Total Non-current Liabilities	<u>33 339 33</u>
Total Liabilities	<u>35 069 44</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	125 369 91
Unrestricted	<u>818 131 46</u>
Total Net Assets	<u>943 501 37</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>978 570 81</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	29 987 60	-	-	(29 987 60)
General government	97 046 47	36 404 94	-	(60 641 53)
Public safety	1 279 06	-	-	(1 279 06)
Public works	517 763 31	-	1 111 500 00	593 736 69
Interest on long-term debt	<u>2 071 72</u>	<u>-</u>	<u>-</u>	<u>(2 071 72)</u>
Total Governmental Activities	<u>648 148 46</u>	<u>36 404 94</u>	<u>1 111 500 00</u>	<u>499 756 78</u>
General Revenues:				
Property taxes				57 997 11
Other taxes				25 467 75
State revenue sharing				80 480 98
Interest				2 403 07
Miscellaneous				<u>18 914 14</u>
Total General Revenues				<u>185 263 05</u>
Change in net assets				685 019 83
Net assets, beginning of year				<u>258 481 54</u>
Net Assets, End of Year				<u>943 501 37</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CORWITH  
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	808 921 68
Accounts receivable	500 00
Taxes receivable	9 988 01
Due from other funds	<u>451 88</u>
Total Assets	<u><u>819 861 57</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>1 730 11</u>
Total liabilities	<u>1 730 11</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>818 131 46</u>
Total fund equity	<u>818 131 46</u>
Total Liabilities and Fund Equity	<u><u>819 861 57</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	818 131 46
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	319 349 82
Accumulated depreciation	(160 640 58)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(33 339 33)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>943 501 37</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>Total (General)</u>
Revenues:	
Property taxes	57 997 11
Other taxes	25 467 75
Federal grants	1 111 500 00
State revenue sharing	80 480 98
Charges for services – PTAF	20 330 94
Charges for services – other	16 074 00
Interest	2 403 07
Miscellaneous	<u>18 914 14</u>
Total revenues	<u>1 333 167 99</u>
Expenditures:	
Legislative:	
Township Board	29 987 60
General government:	
Supervisor	5 222 00
Elections	114 15
Assessor	17 024 34
Clerk	14 866 38
Board of Review	992 00
Treasurer	17 469 34
Building and grounds	21 780 98
Cemetery	12 491 32
Public safety:	
Planning Commission	1 279 06
Public works:	
Highways and streets	498 219 56
Street lighting	792 68
Sanitation	18 751 07
Debt service	<u>9 208 75</u>
Total expenditures	<u>648 199 23</u>
Excess (deficiency) of revenues over expenditures	684 968 76
Fund balance, April 1	<u>133 162 70</u>
Fund Balance, March 31	<u><u>818 131 46</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 684 968 76

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(7 085 96)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>7 137 03</u>
--------------------------------------	-----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>685 019 83</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Corwith, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Corwith. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .9509 mills, and the taxable value was \$61,011,870.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (cont)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>809 714 18</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>146 084 22</u>
Total Deposits	<u>246 084 22</u>

The Township of Corwith did not have any investments as of March 31, 2006.



TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land	51 801 00	-	-	51 801 00
Buildings	195 264 26	-	-	195 264 26
Equipment	72 284 58	-	-	72 284 56
 Total	 319 349 82	 -	 -	 319 349 82
Accumulated Depreciation	(153 554 62)	(7 085 96)	-	(160 640 58)
Net Capital Assets	165 795 20	(7 085 96)	-	158 709 24

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2006, was \$775.75.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Corwith does not issue building permits. Building permits are issued by the County of Otsego.

**Note 9 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Contract payable	40 476 36	-	7 137 03	33 339 33
Total	40 476 36	-	7 137 03	33 339 33

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 10 – Contract Payable

On September 26, 2001, the Township obtained a \$60,000.00 loan from First National Bank of Gaylord to fund an installment purchase contract for improvements to the Township hall. The Loan is repayable in one hundred and eighty monthly payments in the amount of \$492.85 including interest at the rate of 5.50% per annum. As of March 31, 2006, the principal balance outstanding on the loan was \$33,339.33.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	60 000 00	60 000 00	57 997 11	(2 002 89)
Other taxes	25 467 00	25 467 00	25 467 75	75
Federal grants	-	1 113 413 00	1 111 500 00	(1 913 00)
State revenue sharing	75 555 00	75 555 00	80 480 98	4 925 98
Charges for services:				
Property tax administration	25 457 00	25 457 00	20 330 94	(5 126 06)
Other	14 750 00	14 750 00	16 074 00	1 324 00
Interest	3 000 00	3 000 00	2 403 07	(596 93)
Miscellaneous	15 814 00	15 814 00	18 914 14	3 100 14
Total revenues	<u>220 043 00</u>	<u>1 333 456 00</u>	<u>1 333 167 99</u>	<u>(288 01)</u>
Expenditures:				
Legislative:				
Township Board	55 898 00	55 898 00	29 987 60	(25 910 40)
General government:				
Supervisor	6 268 00	6 268 00	5 222 00	(1 046 00)
Elections	6 090 00	6 090 00	114 15	(5 975 85)
Assessor	22 169 00	22 169 00	17 024 34	(5 144 66)
Clerk	16 950 00	16 950 00	14 866 38	(2 083 62)
Board of Review	1 500 00	1 500 00	992 00	(508 00)
Treasurer	21 730 00	21 730 00	17 469 34	(4 260 66)
Building and grounds	79 135 00	79 135 00	21 780 98	(57 354 02)
Cemetery	17 935 00	17 935 00	12 491 32	(5 443 68)
Public safety:				
Planning Commission	3 550 00	3 550 00	1 279 06	(2 270 94)
Public works:				
Highways and streets	80 000 00	1 244 500 00	498 219 56	(746 280 44)
Street lighting	1 000 00	1 000 00	792 68	(207 32)
Sanitation	27 275 00	27 275 00	18 751 07	(8 523 93)
Capital outlay	-	-	-	-
Debt service	9 300 00	9 300 00	9 208 75	(91 25)
Total expenditures	<u>348 800 00</u>	<u>1 513 300 00</u>	<u>648 199 23</u>	<u>(865 100 77)</u>
Excess (deficiency) of revenues over expenditures	(128 757 00)	(179 844 00)	684 968 76	864 812 76
Fund balance, April 1	<u>128 757 00</u>	<u>179 844 00</u>	<u>133 162 70</u>	<u>(46 681 30)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>818 131 46</u>	<u>818 131 46</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Township Board:	
Salaries and per diem	4 782 00
Benefits	775 75
Payroll taxes	3 227 20
Supplies	4 567 97
Insurance	4 913 00
Education	325 00
Audit and legal	4 638 62
Telephone	1 606 98
Printing and publishing	2 013 08
Miscellaneous and dues	3 138 00
	<u>29 987 60</u>
Supervisor:	
Salary	4 968 00
Deputy	254 00
	<u>5 222 00</u>
Elections:	
Supplies	114 15
Assessor:	
Wages	15 369 00
Mileage	303 00
Supplies	1 352 34
	<u>17 024 34</u>
Clerk:	
Salary	13 650 00
Deputy	1 216 38
	<u>14 866 38</u>
Board of Review:	
Wages	992 00
Treasurer:	
Salary	13 650 00
Deputy	2 150 66
Supplies	1 488 68
Miscellaneous	180 00
	<u>17 469 34</u>
Building and grounds:	
Salary	4 400 00
Supplies	552 69
Administrator	1 470 00
Telephone	444 60
Utilities	6 271 43
Repairs and maintenance	8 642 26
	<u>21 780 98</u>
Cemetery:	
Salary and wages	8 040 00
Supplies	461 45
Repairs and maintenance	3 989 87
	<u>12 491 32</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Planning Commission:	
Wages	900 00
Miscellaneous	379 06
	<u>1 279 06</u>
Highways and streets:	
Contracted services	498 219 56
	<u>498 219 56</u>
Street lighting:	
Utilities	792 68
	<u>792 68</u>
Sanitation:	
Wages	2 572 14
Supplies	159 58
Repairs and maintenance	16 019 35
	<u>18 751 07</u>
Debt service	9 208 75
	<u>9 208 75</u>
Total Expenditures	<u>648 199 23</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>340 62</u>	<u>1 828 209 00</u>	<u>1 827 757 12</u>	<u>792 50</u>
<u>Liabilities</u>				
Due to other funds	-	80 993 56	80 541 68	451 88
Due to others	<u>340 62</u>	<u>1 747 215 44</u>	<u>1 747 215 44</u>	<u>340 62</u>
Total Liabilities	<u>340 62</u>	<u>1 828 209 00</u>	<u>1 827 757 12</u>	<u>792 50</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2006

Cash in bank – beginning of year	<u>340 62</u>
Cash receipts:	
Property tax	1 827 908 71
Interest	<u>300 29</u>
Total cash receipts	<u>1 828 209 00</u>
Total beginning balance and cash receipts	<u>1 828 549 62</u>
Cash disbursements:	
Township General Fund	80 541 68
Vanderbilt Corwith Fire and Rescue	115 966 99
Village of Vanderbilt	559 45
Otsego County	801 169 01
Vanderbilt Area School District	736 125 66
C.O.P. Intermediate School District	92 008 74
State of Michigan	739 86
Refunds	<u>645 73</u>
Total cash disbursements	<u>1 827 757 12</u>
Cash in Bank – End of Year	<u>792 50</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 9, 2006

To the Township Board  
Township of Corwith  
Otsego County, Michigan

We have audited the financial statements of the Township of Corwith for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Corwith in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Corwith  
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants